

# **FARM BUSINESS MANAGEMENT**

**STANDARDS FOR MEASURING  
BUSINESS SUCCESS**

**FINANCIAL AND PHYSICAL**

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FOR  
FINPACK IN-SERVICE TRAINING  
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# **CONTROLLABLE FACTORS AFFECTING FARM PROFIT**

**SIZE OF BUSINESS**

**RATES OF PRODUCTION**

**LABOR EFFICIENCY**

**CAPITAL EFFICIENCY**

**COST CONTROL**

**MARKETING / PURCHASING**

# MEASURES OF SIZE

## INPUT MEASURES

ACRES

CAPITAL

LABOR

ANIMALS

## OUTPUT MEASURES

VOLUME

INCOME

# DISTRIBUTION OF LABOR INCOME

		FARMS	
INCOME/OPERATOR		NUMBER	%
LESS THAN	-\$50,000	11	2
- \$50,000 TO	- 40,001	4	1
- 40,000 TO	- 30,001	8	1
- 30,000 TO	- 20,001	33	6
- 20,000 TO	- 10,001	62	11
- 10,000 TO	- 1	136	24
0 TO	9,999	152	27
10,000 TO	19,999	82	14
20,000 TO	29,999	50	9
30,000 TO	39,999	18	3
40,000 OR MORE		16	3

## NEW YORK FARM BUSINESS SUMMARY

### NOTICE:

- A) 1/2 OF FARMS IN  $\pm$ \$10,000 RANGE
- B) A RATHER NORMAL (BELL-SHAPED) DISTRIBUTION
- C) 2% LOST MORE THAN \$50,000  
3% EARNED MORE THAN \$40,000
- D) INCOME PER OPERATOR NOT PER FARM

## COWS PER FARM VS. LABOR INCOME

NUMBER OF COWS	LABOR INCOME PER OPERATOR
UNDER 40	\$ 812
40 TO 54	- 19
55 TO 69	3,225
70 TO 84	3,064
85 TO 99	2,152
100 TO 149	4,073
150 TO 199	-3,577
200 TO 249	27,218
250 OR MORE	45,479

### NEW YORK FARM BUSINESS SUMMARY

NOT A PERFECT RELATIONSHIP BUT CAN  
EASILY SEE MESSAGE

--MORE COWS PROBABLY MEANS HIGHER  
EARNINGS PER PERSON--

# PRODUCTION RATE MEASURES

## CROPS

BUSHELS PER ACRE  
TONS PER ACRE

## ANIMALS

POUNDS PER COW  
PIGS PER COW  
CALVES PER COW  
EGGS PER HEN  
LAMBS PER EWE

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TRYING TO DETERMINE HOW  
EFFICIENTLY A FARM IS USING  
AN INPUT - -

LAND AND/ OR ANIMALS

INDIRECTLY MEASURING HOW  
EFFICIENTLY CAPITAL AND LABOR  
ARE BEING USED

## MILK SOLD PER COW VS. LABOR INCOME

POUNDS SOLD PER COW	LABOR INCOME PER OPERATOR
UNDER 11,000	\$ -1,924
11,000 TO 11,999	5,492
12,000 TO 12,999	7,908
13,000 TO 13,999	15,624
14,000 TO 14,999	15,311
15,000 TO 15,999	22,074
16,000 TO 16,999	26,851
17,000 TO 17,999	26,668
18,000 OR MORE	49,864

### NEW YORK FARM BUSINESS SUMMARY

- NOTICE STRONG RELATIONSHIP
- HIGHER RATE OF PRODUCTION PROBABLY  
MEANS HIGHER EARNINGS PER PERSON

# LABOR EFFICIENCY MEASURES

## INPUT MEASURES

ACRES PER WORKER

COWS PER WORKER

SOWS PER WORKER

## OUTPUT MEASURES

BUSHELs PER WORKER

POUNDS PER WORKER

HOGS PER WORKER



# MILK SOLD PER WORKER VS. LABOR INCOME

POUNDS OF MILK SOLD/WORKER	LABOR INCOME PER OPERATOR
UNDER 250,000	\$-3,985
250,000 TO 299,999	-4,001
300,000 TO 349,999	-957
350,000 TO 399,999	2,010
400,000 TO 449,999	3,319
450,000 TO 499,999	2,949
500,000 TO 599,999	7,271
600,000 OR MORE	31,180

## NEW YORK FARM BUSINESS SUMMARIES

- MEASURING OUTPUT PER WORKER
- NOT A PERFECT RELATIONSHIP
- HIGHER OUTPUT PER WORKER PROBABLY MEANS HIGHER PROFIT

# CAPITAL EFFICIENCY MEASURES

## INPUT MEASURES

CAPITAL PER ACRE

CAPITAL PER COW

CAPITAL PER WORKER

## OUTPUT MEASURES

CAPITAL PER UNIT SOLD

CAPITAL TURNOVER

# CAPITAL TURNOVER VS. LABOR INCOME

CAPITAL TURNOVER RATE IN YEARS	LABOR INCOME PER OPERATOR
LESS THAN 1.5	\$ 23,365
1.5 TO 1.99	20,036
2.0 TO 2.49	3,036
2.5 TO 2.99	- 662
3.0 TO 3.49	- 1,843
3.5 OR MORE	- 4,766

## NEW YORK FARM BUSINESS SUMMARIES

- NOTICE STRONG RELATIONSHIP
- FASTER CAPITAL TURNOVER PROBABLY  
MEANS HIGHER PROFIT

# COSTS THAT NEED CONTROL

## FIXED COSTS

DEPRECIATION

INTEREST

## VARIABLE COSTS

LABOR

FEED

FERTILIZER

REPAIRS

SEED

# FEED EXPENSE VS. LABOR INCOME

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% FEED IS OF MILK	LABOR INCOME PER OPERATOR
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OVER 40%	\$ - 1,591
35 TO 39	-4,541
30 TO 34	2,700
25 TO 29	5,530
20 TO 24	6,489
UNDER 20%	3,031
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## NEW YORK FARM BUSINESS SUMMARY

- FEED IS ONLY ONE BUT BIG EXPENSE
- CONTROL -- NOT TOO MUCH/  
NOT TOO LITTLE

# COMBINATION OF FACTORS VS. LABOR INCOME

NUMBER OF FACTORS ABOVE AVERAGE	LABOR INCOME PER OPERATOR
4	\$13,000
3	10,200
2	500
1	- 1,300
0	-2,100

## NEW YORK FARM BUSINESS SUMMARY

FACTORS: SIZE, RATE OF PRODUCTION,  
LABOR EFFICIENCY, COST CONTROL

LESSON: A) PAY ATTENTION TO ALL FACTORS

B) DON'T CONCENTRATE ON ONE  
AT EXPENSE OF OTHERS

# SIZE BENCHMARKS

## MINIMUM

WORK FOR TWO PEOPLE

INCOME FOR TWO FAMILIES

UTILIZE ONE SET BUILDINGS

UTILIZE ONE SET EQUIPMENT

## MAXIMUM

UTILIZE MANAGEMENT ABILITY

# ENTERPRISE SIZE STANDARDS

DAIRY --- 70 TO 75 COWS

(WITH 200-250 ACRES OF CROPS)  
(WITH 65 TO 70 HEIFERS)

FEEDER PIGS --- 150 TO 175 SOWS

(WITH 750 ACRES OF CROPS)

FARROW-FINISH --- 100 TO 125 SOWS

(WITH 750 ACRES OF CROPS)

CROPS --- 1400 TO 1500 ACRES

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NOT HARD AND FAST

DEPENDS ON DEGREE OF CAPITAL LABOR  
SUBSTITUTION



# PRODUCTION RATE STANDARDS

## CROPS (RATES PER ACRE)

CORN	125 BU.	CORN SILAGE	20 TN.
SOYBEANS	42 BU.	ALFALFA HAY	5.5 TN.
WHEAT	65 BU.	MIXED HAY	4.0 TN.

## LIVESTOCK (RATES PER YEAR)

DAIRY	16,000 LB.	SOWS	16 PIGS
BEEF COW	500 LB. CALF	EWES	1.75 LAMBS

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- MORE HARD AND FAST THAN SIZE STANDARDS
  - GOOD TARGETS REGARDLESS OF SIZE

# LABOR EFFICIENCY STANDARDS

## CROPS (RATE PER PERSON PER YEAR)

CORN	90,000 BU.
SOYBEANS	40,000 BU.
WHEAT	65,000 BU.

## LIVESTOCK (RATE PER PERSON PER YEAR)

DAIRY	600,000 LB.
FAR/FIN	400,000 LB.
FDR/PIGS	2,500 PIGS
BEEF COWS	250,000 LB.
EWES	1,300 LAMBS

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NOT HARD AND FAST BUT GOOD GOALS

DEPENDS SOMEWHAT ON CAPITAL - LABOR  
SUBSTITUTION AGAIN

# CAPITAL EFFICIENCY STANDARDS

## CROPS (TURNOVER RATE--YEARS)

GRAINS	4.0 - 5.0
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## LIVESTOCK (TURNOVER RATE--YEARS)

DAIRY	2.0 - 2.5
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FAR/FIN	1.5 - 2.0
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FDR/PIG	1.0 - 1.5
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SHORTER IS BETTER

ENTERPRISES REQUIRING LAND  
INVESTMENT HAVE LONGER TURNOVER.

# CAPITAL EFFICIENCY STANDARDS

## CROPS

Grains           \$ 150 Per Acre (Machinery)

## LIVESTOCK

Dairy           \$6,000 Total Capital/Cow  
                   \$1,000 Mach/Equip Inv./Cow  
                   \$ 40 Total Capital/Cwt. Sold

Far/Fin         \$ 40 Total Capital/Cwt. Sold

Fdr/Pig        \$ 60 Total Capital/Pig Sold

Finish         \$ 35 Total Capital/Cwt. Sold

NOT HARD AND FAST

DEPENDS ON CAPITAL/LABOR SUBSTITUTION

GOOD GUIDES, HOWEVER.

# COST STANDARDS

## CROPS (TOTAL COST PER BUSHEL)

CORN	\$ 2.50
SOYBEANS	\$ 5.50
WHEAT	\$ 3.25

## LIVESTOCK (TOTAL COST PER CWT.)

DAIRY	\$ 12.00
FAR/FIN	\$ 40.00
FDR/PIGS	\$ 65.00
FED BEEF	\$ 60.00

PRODUCERS WITH THESE COSTS ARE  
SETTING PACE OTHERS MUST FOLLOW.

IF NOT IN LINE, STUDY MAJOR COSTS:

FEED	LABOR
MACHINERY	DEPRECIATION
INTEREST	ETC.

# FINANCIAL STANDARDS

## GRAIN CROPS

\$600 TOTAL DEBT/OWNED ACRE  
\$ 90 DEBT AND/OR RENT PAYMENT/ACRE  
25% DEBT/ASSET RATIO

## DAIRY

\$1500 TOTAL DEBT PER COW  
\$15 TO \$20 DEBT PAYMENT/COW/MONTH  
25% DEBT/ASSET RATIO

## FARROW-FINISH

\$1500 TOTAL DEBT PER SOW  
\$15 TO \$20 DEBT PAYMENT/SOW/MONTH  
50% DEBT/ASSET RATIO

## FEEDER PIG PRODUCTION

\$700 TOTAL DEBT PER SOW  
\$10 TO \$15 DEBT PAYMENT/SOW/MONTH  
50% DEBT/ASSET RATIO

REASONABLE DEBT LOADS UNDER GOOD  
MANAGEMENT FOR POSITIVE CASH FLOW